
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, March 19, 2008

A meeting of the Board of Administration was held on Wednesday, March 19, 2008, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:10 a.m. by Board President Rob Feckner.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President
Marjorie Berte
Terry McGuire representing John Chiang
David Gilb
Henry Jones
Steve Coony representing Bill Lockyer
Priya Mathur
Louis Moret
Tony Oliveira
Anne Sheehan
Kurato Shimada
Charles Valdes

Excused: George Diehr

AGENDA ITEM 3 – APPROVAL OF THE FEBRUAR 21, 2008 MEETING MINUTES

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the February Board minutes.

AGENDA ITEM 4 – CHIEF INVESTMENT OFFICER REPORT

Russell Read, Chief Investment Officer presented this report to the Board.

Since our last Board meeting in February, the financial markets have been rocked by continuing problems in the mortgage-backed bond market and by the impact of leverage in the financial system.

Most emblematic of the crisis has been the sale of the once venerable Wall Street investment bank Bear Stearns. As recently as last year, the value of Bear Stearns stocks stood at \$170 a share, or roughly 20 billion in overall value. This past Monday, the stock was sold in a Federal Reserve arranged transaction to JP Morgan Chase for two dollars a share or roughly \$236 million.

Since our last Board meeting on February 21, the value of the PERF has declined by \$6.6 billion to a total last Friday, March 14, of \$235.8 billion.

This represents an overall decline of 3.2 percent reflecting an 11 percent decline in stocks, flat year-to-date performance in real estate, but an eight-and-a-half percent gain in fixed income and a 19 percent gain in private equity. After four years of broad based double digit gains in the PERF, this has been the year in which our diversification benefits in the portfolio have paid off the most.

Yesterday alone, the financial markets responded strongly to the Fed's three-quarter rate cut by sending the Dow higher by 420 points, or three-and-a-half percent.

AGENDA ITEM 5 – INVESTMENT COMMITTEE

Priya Mathur, Vice Chair, Investment Committee, presented the Committee Summary report (attached) to the Board. The Committee met on Monday, March 17, 2008.

Additional information may be found in the March 17, 2008 Agenda materials and/or transcripts of the Committee meeting.

The next Investment Committee meeting is scheduled for April 21, 2008 in Sacramento, California.

AGENDA ITEM 7 – HEALTH BENEFITS COMMITTEE

Priya Mathur, Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 18, 2008.

Additional information may be found in the March 18, 2008 Agenda materials and/or transcripts of the Committee meeting.

Priya Mathur reported on Agenda Items 3-12

The next Health Benefits Committee meeting is scheduled for April 22, 2008 in Sacramento, California.

AGENDA ITEM 8 – FINANCE COMMITTEE

Tony Oliveira, Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 18, 2008.

Additional information may be found in the March 18, 2008 Agenda materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following

- Management's draft financial statements for the S&P 500 investment option managed by CalPERS for the State Savings Plus Program as audited by Macias Gini & O'Connell, LLP for the year ended June 30, 2007, and the period of July 1, 2007, through August 7, 2007.
- Forwarding the final audit report on the S&P 500 investment option managed by CalPERS for the State Savings Plus program to California State Controller's Office, the Bureau of State Audits and Department of Personnel Administration.
- CalPERS 08-09 Administrative Budget of \$331,319,000 and 2,297 positions and approve the budget as a first reading. The State Treasurer abstained.
- CalPERS 08-09 Enterprise Project budget of \$143,253,000 and approve the budget as a first reading. The State Treasurer abstained.
- 08-09 CalPERS Headquarters Building Account budget of \$36,181,000 and approve the budget as a first reading. The State Treasurer abstained.
- Transmittal of the agenda item to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2007, and to the Legislative Analyst's Office, State and Consumer Services Agency, and the Office of Legislative Counsel. The State Treasurer abstained.

The next Finance Committee meeting is scheduled for April 22, 2008 in Sacramento, California.

AGENDA ITEM 6 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

Kurato Shimada, Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 18, 2008.

Additional information may be found in the March 18, 2008 Agenda materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Support, AB 1844 (Hernandez) Public Employees Benefits
- Support, SB 1123 (Wiggins) Public Employee Benefits: Best practice and disclosure
- Amendments to Title 2 of the California Code of Regulations, Section 554.2, Notice of Election, and Section 554.3, Nominations of Candidates
- EFI's report on the June 30, 2006 parallel valuation and certification of the actuarial valuation of the State and School's plans in completion of Task 5 of Contract 2003-3236

The next Benefits and Program Administration Committee meeting is scheduled for April 22, 2008 in Sacramento, California.

AGENDA ITEM 9 – PERFORMANCE AND COMPENSATION COMMITTEE

Priya Mathur, Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Monday March 17, 2008.

Additional information may be found in the March 17, 2008 Agenda materials and/or transcripts of the Committee meeting.

On Motions by the Committee, the Board approved the following:

- Performance Plan and Duty Statement of the General Counsel

The next Performance and Compensation Committee meeting is scheduled for April 21, 2008 in Sacramento, California.

AGENDA ITEM 10– BOARD MEETING CALENDAR

The Board members agreed on restructuring the Committee meetings from three days back to four days.

AGENDA ITEM 11– CHIEF EXECUTIVE OFFICER'S REPORT

Fred Buenrostro reported on the heroic actions of certain CalPERS and Colliers International employees and acknowledged them for displaying selfless acts of kindness.

AGENDA ITEM 12 – BOARD'S STATE LEGISLATIVE PROGRAM/BOARD'S POSITION ON STATE LEGISLATION

Wendy Notsinne, Chief, Governmental Affairs, gave an update on the legislative bills for 2008.

AGENDA ITEM 13 – BOARD'S FEDERAL LEGISLATIVE PROGRAM/BOARD'S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS Federal Legislative Liaison reported on the following item:

Pension Protection Act

AGENDA ITEM 14 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

ON MOTION by Ms. Berte, **SECONDED** and **CARRIED**, the Board adopted staff recommendation on items B, C, D, E, G, H, I and J.

ON MOTION by Mr. Oliveira, **SECONDED** and **CARRIED**, the Board agreed to bring back Item 14F as a full Board hearing.

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board agreed that Item 14A be remanded to the Administrative Law Judge for the taking of additional evidence.

AGENDA ITEM 15 – CITY OF SALINAS FULL BOARD HEARING

ON MOTION by Mr. Valdes, **SECONDED** and **CARRIED**, the Board adopted the decision prepared in accordance with the Board's direction of February 21, 2008 granting the appeal of the Determination Regarding Prior Service Credit by CITY OF SALINAS. Ms. Berte abstained.

AGENDA ITEM 16 – GENERAL COUNSEL'S REPORT

Mr. Mixon gave an update on the United Health Care securities fraud litigation.

AGENDA ITEM 17 – BOARD TRAVEL APPROVALS

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the travel requests.

AGENDA ITEM 18 – DRAFT AGENDA

The draft agenda was amended to show April 24 for the Board of Administration meeting.

AGENDA ITEM 19 – NEW BUSINESS AGENDA SETTING

No comments.

AGENDA ITEM 24 – PUBLIC COMMENT

No comments.

There being nothing further to come before the Board of Administration, the meeting adjourned at 11:21 a.m.